

## Message Text

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PAGE 01    WARSAW 02006 100903Z  
ACTION EUR-12

INFO OCT-01 ISO-00 FBO-02 A-01 L-03 ABF-01 /020 W  
-----051718 110315Z /66

R 100730Z MAR 78  
FM AMEMBASSY WARSAW  
TO SECSTATE WASHDC 3760  
INFO AMCONSUL KRAKOW POUCH  
AMCONSUL POZNAN POUCH

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EO 11652: NA  
TAGS: ABLD AFSP PDIP  
SUBJ: RENT INCREASES: REPLY TO OUR PROTEST, NEW RATES SET

REF: (A) WARSAW 0705, (B) STATE 10456, (C) STATE 14301

1. SUMMARY: THE MFA HAS REJECTED OUR CHARGES OF DISCRIMINATION IN AMBASSADOR DAVIES'S PROTEST LETTER OF FEBRUARY 1. THEY EXPLAIN THAT HOUSING OF POLISH CITIZENS IS HIGHLY SUBSIDIZED AND ARGUE THE THE 4/1/78 INCREASE IN RATES TO BE CHARGED FOREIGNERS IS FULLY JUSTIFIED BY RISES IN COSTS WITHIN POLAND AND BY PAST INCREASES IN RENTS CHARGED POLISH MISSION ABROAD. MEANWHILE, PUMA HAS SENT US CONTRACTS CONTAINING THE PROPOSED NEW RATES, WHICH ARE AT THE LOWER END OF THE RANGE AUTHORIZED BY THE DECREE OF 10/25/77. A 20 PERCENT DIPLOMATIC DISCOUNT HAS BEEN APPLIED TO ALL RATES. THE MFA ARGUES THAT, TAKING INTO ACCOUNT THE NEW SPECIAL 33.2-TO-ONE EXCHANGE RATE SINCE 2/1/78, THE NEW RATES IN FACT REPRESENT INCREASES OF ONLY 40 TO 50 PERCENT ABOVE THE RATES IN EFFECT SINCE 1970, AND THAT IS A REASONABLE INCREASE. USG RENTAL EXPENSES WOULD INCREASE BY ABOUT 75 TO 80 PERCENT, SINCE WE PAY WITH PL-480 ZLOTYS. WE THINK OUR PROTEST MAY HAVE HELPED INSURE THE LOWEST POSSIBLE RATES UNDER THE DECREE. WE DO NOT THINK THE RATES ACTUALLY SET ARE UNRELISTIC OR THAT WE ARE LIKELY TO WIN FURTHER REDUCTIONS. WE PROPOSE ONE  
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PAGE 02    WARSAW 02006 100903Z

MORE MILD PROTEST FOR THE RECORD AND ASK THAT WE BE AUTHORIZED TO SIGN LEASES AT THE NEW RATES. END SUMMARY.

2. MFA VICE MINISTER CZYREK REPLIED IN A LETTER DATED 2/23/78 TO AMBASSADOR DAVIES'S LETTER OF 2/1/78 TO THE FOREIGN MINISTER TRANSMITTING THE PROTESTS AUTHORIZED IN REFS B AND C. HE EXPRESSED SURPRISE AT BOTH THE FORM AND CONTENT OF THE

PRTOEST, PARTICULARLY THE CHARGE OF DISCRIMINATION AGAINST FOREIGNERS, INCLUDING DIPLOMATS. CZYREK CLAIMED THE DIFFERENCE IN RENTAL RATES FOR POLES AND FOREIGNERS CAN BE EXPLAINED BY GOVERNMENTAL PAYMENTS OF ABOUT 12 BILLION ZLOTYS ANNUALLY TO SUBSIDIZE POLISH CITIZEN HOUSING. HE MADE THE FOLLOWING ADDITIONAL POINTS:

--THE NEW RATES ARE ALSO BASED ON CONTINUAL LARGE INCREASES IN RENTS PAID BY POLISH MISSION ABROAD:  
--RENTS IN THE U.S. HAVE BEEN RISING AT ABOUT TEN PERCENT PER YEAR WHILE RENTS IN POLAND HAVE NOT INCREASED SINCE 1970;  
--PUMA HAS SET RATES AS LOW AS POSSIBLE UNDER THE NEW DECREE SO THAT, TAKING INTO ACCOUNT THE NEW ZLOTY EXCHANGE RATE, DE FACTO RENTS HAVE RISEN BY ONLY ABOUT 40 TO 50 PERCENT;  
--A PORTION OF RENTS PAID BY DIPLOMATIC MISSIONS DOES REPRESENT TAX REVENUE TO THE POLISH GOVERNMENT, BUT THIS IS ALSO THE CASE IN OTHER COUNTRIES, INCLUDING THE U.S. THESE REVENUES GO, IN PART, TO FINANCE THE SUPPLY OF WATER, HEAT, AND OTHER COMMUNAL SERVICES;  
--THE SPECIAL EXCHANGE RATE OF 33.2 ZLOTYS TO ONE U.S. DOLLAR EFFECTIVE 2/1/78, IS APPLICABLE TO ALL RENTAL PAYMENTS BY FOREIGNERS. THE AMOUNT OF THE OUTSTANDING POLISH PL-480 DEBT WAS ALSO RECALCULATED ON 2/1/78 AT THE RATE OF 33.2 ZLOTYS TO ONE DOLLAR;  
--MFA HAS GIVEN AND WILL CONTINUE TO GIVE ITS SUPPORT TO REQUESTS BY THE AMERICAN EMBASSY FOR THE ACQUISITION OF RESIDENTIAL, OFFICE, LIMITED OFFICIAL USE

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PAGE 03      WARSAW 02006 100903Z

AND SCHOOL PREMISES UNDER FAVORABLE CONDITIONS.

3. PUMA HAS SENT THE EMBASSY NEW CONTRACTS FOR ALL LONG- AND SHORT-TERM LEASED PROPERTIES. IN EACH CASE RENTS HAVE BEEN ESTABLISHED NEAR THE LOWER END OF THE 150-230 ZLOTY RANGE SET IN THE DECREE OF 10/25/77, AND A 20 PERCENT DIPLOMATIC DISCOUNT HAS BEEN ALLOWED. IN ZLOTY TERMS THE NEW RENTS REPRESENT INCREASES OF ABOUT 140 PERCENT ABOVE THE PREVIOUS RATES. THE NEW RATES ARE TO TAKE EFFECT 4/1/78, AND WE HAVE BEEN ASKED TO SIGN NEW CONTRACTS BEFORE THAT DATE.

4. ON 2/1/78 THE NATIONAL BANK OF POLAND INFORMED THE EMBASSY THAT THE ZLOTY BALANCE IN THE PL-480 PROCEEDS-OF-SALE ACCOUNT HAD BEEN RECALCULATED ON THE BASIS OF 33.2 ZLOTYS TO ONE U.S. DOLLAR, RESULTING IN AN INCREASE OF 1.6 BILLION ZLOTYS IN USG HOLDINGS. IN THE LIGHT OF THIS INCREASE IN THE ZLOTY ACCOUNT FROM WHICH USG RENTS HERE ARE PAID, THE DE FACTO INCREASE REPRESENTED BY THE NEW RATES IS ONLY ABOUT 75 PERCENT. (FBO COSTS ON LONG-TERM LEASES WILL NEVERTHELESS INCREASE BY ABOUT 140 PERCENT, SINCE THESE WERE PREVIOUSLY PAID AT 33.2 TO THE DOLLAR WITHIN THE USG; BUREAU COSTS ON SHORT-TERM LEASES, BY COMPARISON, WILL RISE BY ONLY ABOUT 45 PERCENT, SINCE THESE WERE PAID PREVIOUSLY

AT 19.92 WITHIN THE USG.

5. COMMENT: WE DO NOT SEE MUCH CHANGE OF OBTAINING LOWER RATES. OTHER EMBASSIES ARE GENERALLY WILLING TO ACCEPT DE FACTO INCREASES WHICH, FOR THEM, AVERAGE ABOUT 45 PERCENT. WE CAN AND SHOULD CONTINUE TO PROTEST THE MANNER IN WHICH THE RENTS HAVE BEEN SET AS BEING DISCRIMINATORY. BUT IT WILL BE DIFFICULT TO ARGUE THAT WHAT FOR US AMOUNTS TO ABOUT A 75 PERCENT INCREASE, AFTER EIGHT YEARS OF STABLE RENTS, IS UNREASONABLE.

6. PROPOSED ACTION: WE PROPOSE ONE FURTHER NOTE TO THE MFA ON WHICH WE WOULD CONFIRM FOR THE RECORD OUR OBJECTION TO THE DISCRIMINATORY MANNER IN WHICH RENTAL RATES FOR FOREIGNERS ARE CALCULATED. WE ALSO PROPOSE TO USE THIS NOTE TO WELCOME LIMITED OFFICIAL USE

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PAGE 04     WARSAW 02006 100903Z

RENEWED MFA ASSURANCES OF SUPPORT FOR USG EFFORTS TO ACQUIRE PROPERTY IN POLAND. SIMULTANEOUSLY, WE WOULD RENEW OUTSTANDING REQUESTS FOR GOP PERMISSION TO ACQUIRE SPECIFIC PROPERTIES: GROTTGERA 12 IN KRAKOW, GRODZISKA 31/33 IN POZNAN, AND ZAWRAT 2 AND 2A AND THREE SITES SUITABLE FOR RESIDENTIAL CONSTRUCTION IN WARSAW. THIS DONE, WE WOULD PROPOSE TO SIGN THE NEW LEASES AND BEGIN PAYING THE HIGHER RATES EFFECTIVE 4/1/78.

7. WE WILL REQUIRE NO INCREASE IN OUR FBI ALLOTMENT FOR FY 1978 TO COVER THE HIGHER RENTAL PAYMENTS THROUGH THE END OF THIS FISCAL YEAR. BY MAKING ADVANCE PAYMENT OF ALL LONG-TERM LEASES FOR HIS FY BEFORE 12/31/77 AT THE OLD FAVORABLE 45-TO-ONE FBO RATE, WE REALIZED SUFFICIENT DOLLAR SAVINGS TO COVER THE HIGHER RENTAL PAYMENTS DURING THE SECOND HALF OF THE FY.

8. ACTION REQUESTED: CONCURRENCE IN THE ACTIONS PROPOSED IN PARA. 6 INCLUDING SIGNING OF NEW LEASES ON ALL LTL PROPERTIES TO TAKE EFFECT 4/1/78.  
BROWN

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## Message Attributes

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**Decaption Date:** 20 Mar 2014  
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